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Globalization and interdependence: role of the United Nations in promoting development in the context of globalization and interdependence

Fulfilling the promise of globalization: advancing sustainable development in an interconnected world

Report of the Secretary-General

Summary

While globalization has been credited with contributing to rapid economic growth, it has not universally delivered on its promise to foster equitable growth and sustainable development. As a result, globalization and multilateralism have been challenged by popular discontent in a number of countries over the past years.

Globalization is not a new phenomenon, but one that has had an impact on peoples and societies for more than two centuries. To reshape globalization as a positive force, the lessons from previous downturns in globalization need to be analysed and emerging challenges addressed through collective action.

The present report highlights current trends in globalization and interdependence, including the following three megatrends, including their impact on the advancement of sustainable development: shifts in production and labour markets; rapid advances in technology; and climate change. The report describes policy frameworks at the national, regional and global levels that address the challenges associated with globalization. It elaborates the normative role of the United Nations and other multilateral organization in addressing those challenges. The report is prepared in response to General Assembly resolution 70/211.

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I. Introduction

1. As the international community implements the 2030 Agenda for Sustainable Development, it is reminded how interdependent the world has become. This global interdependence encompasses the areas of finance, trade, communications, technology, the movement of people and the exchange of ideas, with far reaching implications for national development strategies and objectives.

2. Globalization has influenced global growth and sustainable development. Driven by the mobility of goods, services, capital, labour and technology, it has unleashed a wide array of opportunities, as well as new challenges for realizing sustainable development. Globalization has brought a large array of new opportunities and benefits. For example, information and communications technologies (ICTs) have enabled the acceleration of the global integration of production processes.

3. Trade has fuelled growth in many countries. A number of developing countries have made major inroads in reducing poverty and hunger by taking advantage of trade opportunities. Several developing countries have made significant progress in poverty reduction and many have established a stronger economic interdependence with each other. This has helped to sustain world economic growth over the past years, particularly with respect to the proportion of global growth attributable to middle-income countries.

4. Yet, globalization also has attendant challenges and risks, manifested by imbalances in the distribution of its benefits and costs. Despite the positive developments, it remains a challenge to ensure that all countries and all people benefit from globalization. Global forces, such as trade and cross-border flows of capital and labour, have created opportunities for some but negative consequences for others.

5. A range of events has had an impact on globalization, reinforcing the need to rethink its course in the context of sustainable development. Current economic, social and environmental challenges have been fuelled by food, energy, financial and economic shocks, social upheavals, the growing frequency of natural disasters and associated humanitarian crises, climate change and the prevalence of conflict and political transition in different regions of the world. The development of unregulated financial systems has created systemic risk within financial markets which could potentially trigger a global financial crisis. Continued efforts to reform and strengthen international financial systems must be undertaken to attend to these challenges and make progress towards sustainable development.

6. The multilateral response to these challenges needs to be coherent and integrated, and efforts to achieve sustainable development, prevent conflict and sustain peace need to be linked. Sustainable development that is fully inclusive is a driving force for the prevention of conflict and a powerful tool for sustaining peace.

7. The United Nations system has a key role to play in realizing this vision and addressing the full range of interrelated challenges, including by providing a strong normative framework at the global level and targeted policy support to Member States for the implementation of the Sustainable Development Goals. Cooperation in key areas is necessary to enhance the effectiveness of multilateral efforts to foster the achievement of the sustainable development and peace agendas. Ensuring that globalization is a positive force for all countries and people represents an important condition for the achievement of the ambitious 2030 Agenda.

II. The changing political economy of globalization

A. Systemic and emerging challenges

8. Globalization refers to the growing integration of trade and financial markets, the spread of technological advancements, the receding geographical constraints on social, cultural and migratory movements and the increased dissemination of ideas and technologies. Economic globalization is a specific aspect of this phenomenon that relates to the integration of production, distribution and the consumption of goods and services in the world economy. Its expansion has coincided with and been reinforced and driven by changes in societies across the world and by political processes at the national, regional and global levels.

9. Over the past decades, globalization populations dynamics and increased economic interdependence have accompanied — and facilitated — rapid economic growth in many countries and regions, and have contributed to the growth of the world gross domestic product (GDP) from around $50 trillion in 2000 to $75 trillion in 2016.[1]

10. International trade has been a particularly powerful driver of economic growth. In the past few years, however, trade growth has stalled. While trade grew at twice the rate of GDP between 1985 and 2007, it has barely outpaced growth in GDP since 2012.[2]

11. To ensure that globalization can be leveraged to support broad-based and inclusive economic growth and support sustainable development, it is essential to analyse the challenges and opportunities of the current system and emerging trends to devise policy solutions to address them.

12. Three large and sustained global shifts that have wide impact and the power to shape the future — "mega-trends" — are significantly impacting globalization. These mega-trends include: a shift in production and labour markets which requires new jobs and skillsets; rapid advances in technology; and climate change.

Shift in production and labour markets

13. Global shifts in production have spurred deep changes in labour markets in both developing and developed countries. Trade openness has improved the mobility of capital relative to labour, eroding the bargaining power of labour. In developed countries, evidence suggests a negative impact of trade openness on wages from 1985 to 2005, with the negative link being more pronounced among low-skilled workers.[3] In the countries of the Organization for Economic Cooperation and Development (OECD), for instance, manufacturing jobs have declined from 24 per cent of employment in 1970 to 11.9 per cent in 2013.[4] These changes were driven by both the outsourcing of manufacturing to lower-wage countries and advances in labour-replacing robotics and mechanization.

14. While high-tech sectors are expected to benefit from these shifts, current estimates of global job losses as a result of robotics and digitalization range from

[1] World Bank, world GDP data set (constant 2010 United States dollars).

[2] International Monetary Fund (IMF), *World Economic Outlook* (April 2016).

[3] International Labour Organization (ILO), *World of Work Report 2011: Making markets work for jobs* (Geneva, International Labour Office, 2011).

[4] Organization for Economic Cooperation and Development (OECD), *OECD Science, Technology and Industry Scoreboard 2015: Innovation for growth and society* (Paris, OECD Publishing, 2015).

2 million to as high as 2 billion by 2030.[5] Studies show that up to 1.1 billion jobs have already been automatable using current technologies.[6] While the service sector, now accounting for over 70 per cent of total employment and value added in OECD economies, has been able to absorb some of the job losses, this service sector employment has often been less skill-intensive and in lower wage sectors.

15. These trends in labour markets are associated with higher rates of income inequality. Nearly all countries have been faced with rising inequality, as shown through increased Gini coefficients, although there have been notable declines in some developing countries. The drivers of inequality have been concentrated, in particular, at the global level, owing, generally, to changes in production affecting labour markets and to financial globalization. Inequality between countries remains elevated, although it has decreased, particularly as a result of the rapid economic growth of China and India.

16. Rising inequality has undermined institutional frameworks at the national, regional and global levels. The root causes of inequality, including the shifts in production and technological change, need to be addressed, building on norms and institutional frameworks that are people-centred and forward-looking to benefit countries and societies in the long term.

Rapid advances in technology

17. Closely related to the shifts in production and labour markets is the rapid advance of technological change, which has been particularly relevant in the context of the changing nature of work. Moreover, the digital divide persists in terms of access to ICT between and within countries. As a result, further innovations may risk leaving countries and populations that have no or limited access to new technologies behind.

18. In this new age of rapidly advancing technology, knowledge and information exchange using ICTs and networks have become increasingly important. For example, the cloud-computing market, based on shared networks on the Internet, grew more than 13-fold between 2008 and 2014.[7] Advances in technology may also have had implications for a wide range of industries, with effects on production, distribution and consumption patterns. For example, online shopping globally grew from $236 billion in sales in 2007 to more than $521 billion in 2012, thereby disrupting traditional retail stores and distribution.

19. The advance of social networks and global communications platforms has also spurred deep changes in societies across the globe, including contributing to changes in how people gather and disseminate social and political information. These networks and platforms are also playing an important role in shaping citizen's opinions and challenging traditional governance structures.

20. If not supported by policy frameworks, the large global shift of rapid advances in technology will leave those countries and people that are structurally disadvantaged behind, and will thus reinforce inequalities at the national and global levels.

Climate change

21. Another megatrend is climate change. There is an increasing body of evidence that points to globalization as a contributing factor to climate change and

[5] World Economic Forum, White Paper, in collaboration with Accenture, "Digital transformation of industries: digital enterprise" (January 2016).

[6] McKinsey Global Institute, "A future that works: automation, employment, and productivity" (2017).

[7] Statista, Dossier on cloud computing (2017).

environmental degradation. Trends associated with globalization, including certain forms of economic activity, lifestyle changes and urbanization, are key factors that drive an increased demand for energy and natural resources and related environmental impacts.

22. Transportation has been a key factor, accounting for 23 per cent of energy-related carbon dioxide emissions, with emissions from global freight transport set to increase fourfold by 2050.[8] Global climate change is also exacerbating disaster risks and raising hazard levels as a result, inter alia, of changing temperatures, precipitation patterns and sea levels, which, in some cases, may occur simultaneously, and may present further dangers in situations of conflict or other emergency situations.

B. Current concerns with the impacts of globalization

23. In some countries, support for globalization and multilateralism has recently been undermined by popular discontent. A main driver of discontent has been a rise in inequality. Studies have highlighted several links between globalization and inequality, including the rising divergence between income from high-skilled and low-skilled employment, the rising concentration of wealth and the globalization of finance. Another related driver has been the loss of employment in a number of economic sectors.

24. While such discontent is not new, its political implications have grown as many people have questioned their countries' commitment to globalization and its institutions. The negative impacts associated with globalization have fuelled policies that seek to roll back the institutional and normative system, including a retreat from global and regional agreements on issues relating to integration, trade and climate change. One common thread relates to the fairness of rules and asymmetry of opportunities and outcomes. Negative assessments are often concentrated, however, on the challenges associated with issues relating to globalization, rather than to globalization itself. Public opinion polls have shown that close to 80 per cent of respondents in a survey conducted in several developed countries have positive views of economic globalization, which is defined as growing business and trade ties between countries.[9]

25. The same polls, however, also underline fear of the potential negative effects of economic globalization, with 36 per cent of respondents believing that it will lead to decreasing wages and 35 per cent believing that it will lead to job losses. There are generally positive attitudes towards economic integration, yet concern with specific aspects of globalization, such as its effects on wages, employment security and social issues, including immigration, remains.

26. The results of the above survey of developing countries also showed that 58 per cent of the population believes that globalization will lead to job creation and 49 per cent believes that it will lead to increased wages.[9] Views in developing countries may be influenced by discontent with a perceived slow pace of economic and social improvements compared with expectations, and with increasing inequalities. These findings from both developed and developing countries highlight that economic globalization as a system of interaction between States and markets is generally supported, but that policy action is necessary to address the associated challenges.

[8] See OECD International Transport Forum, "The carbon footprint of global trade: tackling emission from international freight transport" (2015).

[9] Pew Research Center, "Global Attitudes" survey (2014).

III. Sharing the benefits of globalization to achieve sustainable development for all

27. Globalization can be a powerful driver of economic growth, but in order to achieve sustainable development globalization must work for all. As the opportunities, challenges and risks of globalization are highly interrelated, a broad framework is needed to address them. Globalization trends have led to calls for more effective multilateral cooperation to ensure that its consequences do not threaten peoples' livelihoods, or the sustainability of the planet.

28. Lessons learned from previous waves of globalization underline the importance of adapting and strengthening global norms and institutions to match the rate of change and the degree of interconnectedness of global markets. To ensure that no one is left behind as a result of the large and sustained shifts in production patterns and labour markets, global institutions need to be geared to address the challenges associated with these changes.

29. The lessons from the previous waves of globalization also highlight that individual policies cannot effectively address the challenges presented by the interconnected nature of the global economy. Protectionist economic policies introduced in some countries in the late 1920s critically accelerated the demise of that wave of globalization, stifling economic development across the globe, including in the very countries where the policies originated. Global economic challenges are complex in nature and require global solutions that reflect the interconnectedness of States and non-State actors in the global economy. Cooperation is necessary to enhance the effectiveness of multilateralism to better manage globalization and minimize and manage its costs and risks.

30. The international community is exerting efforts to realize the 17 Sustainable Development Goals contained in 2030 Agenda for Sustainable Development, as well as other global agreements, as a road map for fostering sustainable development. The global momentum for the implementation of the 2030 Agenda represents a new frontier of international cooperation, far exceeding the efforts undertaken during previous waves of globalization. The effective implementation of the 2030 Agenda and its Goals can help to ensure that normative and institutional shortcomings are addressed more holistically than during previous waves of globalization and that the benefits of globalization are distributed more evenly, leaving no one behind.

A. Role of the United Nations development system

31. The greatest challenges to the well-being of people and the planet are global in nature, and thus require global solutions embedded within a framework of effective global institutions. Global agreements can play a key role in strengthening the benefits of globalization, and global institutional and normative frameworks are necessary to ensure that globalization benefits all countries and leaves no one behind.

32. The United Nations and other international institutions have a role to play in setting norms to ensure that globalization works for all. In particular, the United Nations has a global norm-setting role embodied in its landmark agreements. As the challenges and context for globalization are unique for each country, the United Nations system also has a strong role in supporting States to devise specific approaches to benefit from globalization and address development challenges.

33. Together, the 2030 Agenda, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development and the Paris Agreement on

climate change represent a normative action plan to address many of the challenges associated with globalization. A wide range of the challenges of globalization are addressed normatively through the Sustainable Development Goals and the targets embodied in the 2030 Agenda and the Addis Ababa Action Agenda.

34. The goal to leave no one behind, embodied in the 2030 Agenda, represents a key pillar of the global response to address the challenges associated with globalization. The ambitious objectives of the 2030 Agenda will only be considered achieved if its goals and targets are met by those furthest behind. This commitment is universal and extends to all countries. Developed and developing countries alike must comprehensively implement the 2030 Agenda and support countries and people in need in order to foster the achievement of the Sustainable Development Goals.

35. A key challenge will be to ensure that the 2030 Agenda and the Sustainable Development Goals serve to spread the benefits of globalization to all. The 2030 Agenda addresses a wide range of issues that are key to a fairer and more sustainable future, particularly in Goal 1 on poverty eradication, Goal 8 on decent work, Goal 9 on industry, innovation and infrastructure, Goal 10 on reducing inequality, Goal 12 on sustainable consumption and production and Goal 13 on action to combat climate change, among others.

36. In recognizing the specific development challenges of groups of countries in a globalized world, the United Nations has also played an important norm-setting role through several agreements, including the Programme of Action for the Least Developed Countries for the Decade 2011–2020, adopted at the Fourth United Nations Conference on the Least Developed Countries, held in Istanbul in May 2011; the SIDS Accelerated Modalities of Action (SAMOA) Pathway, adopted at the third International Conference on Small Island Developing States, held in Apia in September 2014; and the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024, adopted at the second United Nations Conference on Landlocked Developing Countries, held in Vienna in November 2014.

37. The important role of the United Nations system and other actors in fostering global peace and security should also be recognized. Countries can benefit from a common global system in a world characterized by peace and stability. War and armed conflicts have undermined the ability of States to benefit from mutual cooperation on all dimensions of development, including the economic sphere. Advancing peace and security is thus a prerequisite for a stable global system that can create an environment conducive to the well-being of people and the planet.

B. Strengthening the global system

38. In order to complement national development efforts, there is a need to enhance the coherence, governance and consistency of the international trading, financial and monetary systems, including by continuing to improve global economic management and strengthen the United Nations support for sustainable development, as highlighted in paragraph 16 of General Assembly resolution 67/289 on the United Nations in global economic governance. In order for countries to benefit from globalization, they need to be supported by global and regional programmes, measures and policies aimed at expanding the development opportunities of all countries. These need to be supported by an enabling economic environment, including coherent and mutually supporting world trade, monetary and financial systems and enhanced global economic governance, while taking into account national conditions and ensuring respect for national ownership (see

Assembly resolution 71/243, para. 5). In the institutional sphere, there is the strong need for adaptation to an increasingly integrated and interdependent globalized world to avoid inconsistencies between economic trends and institutional frameworks. In the post-war world, the United Nations and the Bretton Woods institutions have supported multilateralism and global cooperation. In 1971, after the abandonment of the gold-standard, which ended in 1971, the Bretton Woods institutions focused on fostering global integration through trade and market liberalization policies. In response to the varied country experiences, global institutions have adapted practices and approaches to reflect the national contexts and perspectives.

39. The United Nations has played an important role in seeking to adapt normative frameworks to achieve sustainable development. The shift to a comprehensive global sustainable development agenda — the 2030 Agenda — has also strengthened the normative framework that supports a more positive globalization. Challenges remain, however, in all areas of sustainable development. Recent trends in policymaking in some national contexts have brought into question the prevailing commitments to the current multilateral system.

40. In the Addis Ababa Action Agenda, the international community reiterated that national development efforts need to be supported by an enabling international economic environment, including coherent and mutually supporting world trade, monetary and financial systems, and strengthened and enhanced global economic governance. Member States pledged to take measures to improve and enhance global economic governance and to arrive at a stronger, more coherent and more inclusive and representative international architecture for sustainable development, while respecting the mandates of respective organizations.

41. The world financial and economic crisis of 2008 underscored the need for sound regulation of financial markets to strengthen financial and economic stability, as well as the imperative of a global financial safety net. The Addis Ababa Action Agenda highlighted the need to build resilience, reduce vulnerability to international financial disruption and reduce the spillover effects of global financial crises, including to developing countries. Since regulatory gaps and misaligned incentives continue to pose risks to financial stability, in the Addis Agenda countries also pledged to pursue further reforms of the international financial and monetary system.

42. There have also been efforts to change the country representation, composition and governance of international financial institutions. In the 2030 Agenda, the international community agreed to further pursue a strengthening of global economic governance. In target 10.6 of the 2030 Agenda, the international community pledged to ensure enhanced representation and a greater voice for developing countries in decision-making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions.

43. In strengthening the institutional framework for globalization at the global level, approaches will need to be pragmatic in nature. Institutions need to be geared towards supporting countries to be able to benefit from globalization in the long term. This approach should be prioritized over a focus on short-term interventions, which continue to be important in addressing emerging economic crises but cannot support the efforts of countries to achieve equitable and sustainable long-term growth. Short-term interventions should thus play a complimentary role to longer-term and country-specific approaches to development in a globalized world.

44. Country groupings, including the Group of 20 (G20), have begun to embrace the long-term Goals embodied in the 2030 Agenda. At its meeting in China in 2016,

the G20 pledged to contribute to the implementation of the 2030 Agenda, recognizing the historic global consensus reached by its adoption.

45. In its action plan on the 2030 Agenda for Sustainable Development, the G20 underlined its commitment to further aligning its work with the 2030 Agenda to ensure that no one is left behind in efforts to eradicate poverty, achieve sustainable development and build an inclusive and sustainable future for all. The Action Plan identifies 15 priority areas for the implementation of the 2030 Agenda, making specific references to the related Sustainable Development Goals and the objectives highlighted in intergovernmental agreements, including the Addis Ababa Action Agenda.

46. In the area of trade, international institutions should also redouble their efforts to address trade restrictions to support equitable growth. During previous waves of globalization trade restrictions were often the result of declining globalization, rather than their root cause, and they played an important role in accelerating the decline of globalization.

47. Currently, the overall number of trade-restrictive measures is growing.[10] From October 2015 to October 2016, 182 trade-restrictive measures were adopted. Overall, the World Trade Organization (WTO) observed that of the 2,978 restrictions recorded since October 2008, only 740 had been removed. These trends highlight the need to comprehensively address trade restrictions with a view to reducing them, taking into account national contexts. To foster a global partnership to make globalization work for all, the United Nations system and other global institutions should strengthen their engagement with relevant intergovernmental groupings that make policy recommendations or take policy decisions with global implications.

C. Policy frameworks to leave no one behind

48. Policy frameworks need to provide context-specific solutions to match the challenges of globalization, which has become increasingly complex. Global policy frameworks address all major areas relating to globalization, including trade, investment, technology, employment, international tax cooperation, migration, regional and development cooperation and climate change.

Trade

49. There is a rich body of evidence supporting the role of trade in contributing to economic growth over the past decades. Benefits from trade have been unequal, however. More open trade has been associated with widening income inequality in many countries, along with job losses and declining wages for certain categories of workers, although these developments also reflect factors such as technological progress. These concerns have enhanced the appeal of protectionism and inward-looking policies in many countries. This situation highlights the importance of institutional and normative systems that foster a more equal distribution of benefits.

50. In the Addis Ababa Action Agenda, world leaders recognized international trade as an engine for development. They also called upon members of the World Trade Organization to redouble their efforts to promptly conclude the negotiations on the Doha Development Agenda, and reiterated that development concerns form an integral part of the Doha Development Agenda, including by promoting enhanced market access, balanced rules, and well targeted, sustainably financed technical assistance and capacity-building programmes. In the Action Agenda, countries committed themselves to combating protectionism in all its forms.

[10] WTO trade monitoring report (21 November 2016).

51. The 2030 Agenda addresses trade, particularly in Sustainable Development Goal 17, on a revitalized partnership for sustainable development. Both agendas recognize the need for a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under WTO regulation, including through the conclusion of negotiations under its Doha Development Agenda. Both include pledges to significantly increase the exports of developing countries, with a view to doubling the least developed countries' share of global exports by 2020. Both promote the timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with the decisions of WTO, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access.

52. The 2030 Agenda can also serve as a guide in identifying policy priorities and promoting trade integration, particularly through Sustainable Development Goal 8 on decent work and economic growth. Target 8.2 of the 2030 Agenda aims to achieve higher levels of economic productivity through diversification, technological upgrading and innovation.

53. Facilitating trade has become increasingly relevant in terms of ensuring the inclusion of developing countries in international trade. This is reflected in the WTO provisions on special and differential treatment that can help to increase trading opportunities for developing countries. International organizations have a vital role to play in this area in supporting the participation of developing countries in global trade on an equal footing.

54. Several frameworks have been put in place to achieve this objective. The United Nations Conference on Trade and Development (UNCTAD) has focused particularly on trade facilitation, including by promoting research on improved marketing techniques and non-tariff measures, organizing trade fairs and port training and simplifying the formalities pertaining to customs procedures and commercial travel. The International Trade Centre, a joint initiative of WTO and UNCTAD, supports partners in the development of approaches to foster sustainable and inclusive trade.

55. To level the playing field for countries that have limited financial means, the 2030 Agenda contains a pledge, in target 8.a, to increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries. The Aid for Trade initiative helps developing countries, in particular least developed countries, to benefit from the global trading system and seeks to mobilize resources to address the trade-related constraints identified by the developing and least developed countries. WTO also provides dedicated facilities such as the Standards and Trade Development Facility and the Trade Facilitation Agreement, which provide financial, technical, and capacity-building assistance to support the developing country members. The WTO Dispute Settlement Body provides an important institutional structure for avoiding trade disputes and providing a framework of rules.

56. There is also the need for a holistic view of trade in the context of globalization, given its wide-ranging effects on labour markets. Global action is required to foster support to developing and developed countries alike in addressing the effects of trade on societies. This also includes consideration of the effects of trade in the environmental and social realms, such as in areas of environmental protection and public health. To that end, the Addis Ababa Action Agenda includes specific provisions to address those areas. Paragraph 86 of the Addis Agenda contains a reaffirmation that the WTO Agreement on Trade-Related Aspects of

Intellectual Property Rights (TRIPS) does not and should not prevent members from taking measures to protect public health. In paragraph 92, the importance of enhancing global support for efforts to combat poaching and trafficking of protected species, trafficking in hazardous waste and trafficking in minerals is underlined.

Technology

57. Barriers to sustainable development, particularly in the developing country context, have also been observed with regard to accessing technologies. To overcome imbalances with regard to rapid technological change, one of the three megatrends mentioned above, the United Nations has been mandated by the 2030 Agenda to play an active role in fostering exchanges in science and technology.

58. The Technology Facilitation Mechanism was established in response to the outcome document of the United Nations Conference on Sustainable Development, entitled "The future we want". The Mechanism rests on three pillars: a United Nations inter-agency task team on science, technology and innovation for the Sustainable Development Goals, which involves representatives from civil society, the private sector and the scientific community; a collaborative multi-stakeholder forum on science, technology and innovation for the Sustainable Development Goals, which is convened once a year to discuss science, technology and innovation cooperation around thematic areas for the implementation of the Goals; and an online platform for information on existing initiatives, mechanisms and programmes relating to science, technology and innovation.

59. The United Nations system plays an important role in fostering technology development and innovation. The initiatives and activities of UNESCO aim to cooperate with countries in developing and upgrading their national science, technology and innovation systems. Taking into account country-specific contexts and nurturing solid science-policy-society interfaces, UNESCO works to strengthen the development of science, technology and innovation policy that benefits society inclusively. UNESCO also supports the development and governance of technology business incubators, with the aim of advancing technological innovation throughout the world.

60. The International Telecommunication Union (ITU) works to advance development through innovation in several areas, including accessibility, cybersecurity, entrepreneurship, small and medium-sized enterprises and gender equality. To bridge the digital divide between developing and developed countries, ITU engages with partners to mobilize resources and forge partnerships. Initiatives include the Smart Sustainable Development Model, which aims at linking rural telecommunications development for general communications, business, education health and banking to disaster risk reduction and disaster management.

Investment

61. Global investment flows represent one of the key aspects of globalization. Global foreign direct investment inflows grew from little more than $13 million in 1970 to $1.7 billion in 2016. In addition to direct investment, cross-border capital flows also include portfolio investments and other investments, comprised mainly of cross-border commercial bank lending. International capital inflows, in particular portfolio flows and cross-border bank loans, remain subject to periods of high volatility, often triggered by global systemic risks. Overall, developing countries have witnessed net capital outflows in the past three years.

62. In the Addis Ababa Action Agenda, world leaders emphasized that the financial system needs to develop mechanisms to meet long-term financing needs and incentivize greater investment in sustainable development. As noted in the

Addis Agenda, foreign direct investment and other investment can make an important contribution to sustainable development, particularly when projects are aligned with national and regional sustainable development strategies. However, volatile capital flows, in particular short-term flows, can increase macroeconomic volatility and the probability of financial and debt crises. The importance of the quality of capital flows is thus underscored in the Addis Agenda. Given its importance to the global economy, there is a strong role for global institutions to provide norms and rules for global capital flows and investment.

63. There has also been increasing interest in the role that investors with long-term liabilities, such as pension funds, life insurance companies and sovereign wealth funds, can play in financing long-term sustainable development and the Sustainable Development Goals. Nonetheless, to date, many of these entities have invested with a short-term horizon in mind. The high volatility of portfolio flows in many ways reflects a short-term bias of institutional investors.

64. An important aspect of the global investment system is the shift towards global value chains. Value chains involve many actors, ranging from microenterprises to multinational corporations.

65. Several policy frameworks have been developed within the United Nations system to address the challenges of production and value chains. ILO builds on private sector development strategies that seek to strengthen enterprises, business relationships and services, market structures and the business environment so that they channel more benefits to the poor and create more and better jobs.

66. In the area of investment and technology promotion, the United Nations Industrial Development Organization (UNIDO) has established the Network of Investment and Technology Promotion Offices, which assist companies at different stages of the value chain to develop investment proposals on value chain upgrading. UNIDO also provides recommendations to policymakers with regard to the impacts of policies on sustainability and poverty.

67. Institutional frameworks can enhance the positive potential of investments from the private sector as a driver for economic growth and sustainable development. Effective engagement of the private sector needs to rest on effective partnerships between the public and private sectors, including civil society and trade unions. The 2030 Agenda represents an opportunity for the private sector to reflect on its approach to sustainable value creation and to align business interests with the priorities of the societies in which they operate.

68. The United Nations Global Compact is the concrete application of normative frameworks to the partnership between the public and private sectors, including the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption. The Global Compact, which has more 12,000 signatories in 170 countries, supports businesses and countries through several initiatives to ensure that the globalization of investment leaves no one behind.

Employment

69. Employment represents a central area in the debate on globalization, as it relates directly to the merging trends in the global system, including the two megatrends of changing production patterns and rapid advancements in technology.

70. Labour markets have undergone a significant transition over the past decades. This has included rising unemployment across the globe. The global unemployment rate is projected to rise to 5.8 per cent in 2017, with total unemployment at

201.1 million people. Regional unemployment patterns point at unemployment increasing in developing countries until 2018, with simultaneous increases for people in vulnerable employment situations. Unemployment is expected to ease slightly in developed countries, however, long-term trends point to an overall decrease in employment, particularly in the manufacturing sector.[11] The report of the Secretary-General on human resources development for the twenty-first century (A/72/292) focuses on the future of work, providing further insights on the role of current trends on labour markets and societies.

71. Employment is a key priority area for developing and developed countries alike. Several initiatives address the issues relating to labour and globalization. In 2016, ILO and the World Bank launched the Global Partnership for Universal Social Protection, a joint initiative built on the emerging consensus on the need to view universal social protection as a primary sustainable development priority. The initiative aims to assist countries in reaching their most vulnerable social groups to ensure that no one lacks access to needed support.

72. The ILO Declaration on Social Justice for a Fair Globalization is a further normative initiative that focuses on decent work, which gained heightened attention in the aftermath of the economic and financial crisis that began in 2008. The Decent Work Agenda has also been fully integrated into the 2030 Agenda, under Goal 8.

73. The ability of institutions at all levels to support labour market transitions will represent a critical aspect of the future of globalization. To ensure a mutual sharing of benefits, those facing difficulties as a result of changing labour conditions need to be supported. Policy support needs to focus specifically on those disadvantaged in areas of employment threatened by the three megatrends.

International tax cooperation

74. Taxation plays a critical role as a redistributive tool for sharing the benefits of globalization. At the global level, tax avoidance and tax evasion and other illicit financial flows challenge the vision of a fairer, more inclusive globalization and undermine domestic resource mobilization for sustainable development.

75. The Committee of Experts on International Cooperation in Tax Matters, a subsidiary body of the Economic and Social Council, provides a framework for dialogue, with a view to enhancing and promoting international tax cooperation among national tax authorities and assessing how new and emerging issues could affect this cooperation.

76. Specific initiatives include the *United Nations Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries*, which provides practical guidance to tax treaty negotiators in developing countries, with a specific focus on the stages and context of capacity development of developing countries. The *United Nations Practical Manual on Transfer Pricing for Developing Countries* is a response to the need for clearer guidance on the policy and administrative aspects of applying transfer pricing analysis to some of the transactions of multinational enterprises. There are additional areas in which initial work could be strengthened and scaled up, such as in the exchange of financial information and the Code of Conduct developed by the Committee of Experts.

77. These initiatives can play a critical role in ensuring the fair and equitable sharing of the benefits of globalization. Efforts should thus be strengthened to comprehensively support countries on these matters, in line with national contexts

[11] ILO, *World Employment and Social Outlook: Trends 2017* (Geneva, International Labour Office, 2017).

and priorities. In this regard, the establishment by IMF, OECD, the United Nations and the World Bank of the inter-agency Platform for Collaboration on Tax is a welcome development that intensifies cooperation in tax matters and increases support to developing countries for building capacity on tax matters.

78. As reported in the note by the Secretary-General entitled "Financing for development: progress and prospects" (E/FFDF/2017/2), monitoring illicit financial flows has proven difficult owing, in part, to the lack of an intergovernmental agreement on the conceptual framework defining them. Given the multiple motivations for illicit financial flows, the Inter-Agency Task Force on Financing for Development has mapped some of the key components of such flows, and recommends a component-by-component and channel-by-channel analysis and estimation, allowing further methodological work and proposals for relevant policy tools and options.

79. As a countermeasure, Member States have adopted conventions, including the International Convention for the Suppression of the Financing of Terrorism, the United Nations Convention against Transnational Organized Crime and the United Nations Convention against Corruption, that penalize varying facets of illicit financial flows.

80. An intergovernmental body has also been created to combat illicit financial flows. The Financial Action Task Force sets standards and promotes the effective implementation of legal, regulatory and operational measures for combating money-laundering, terrorist financing and other related threats to the integrity of the international financial system.

Migration

81. Migration plays an important role in discussions about the international system and affects people's attitudes and perceptions of globalization. It is also an important aspect of sustainable development. The immigration policies of destination countries and the legal status of migrants can have important impacts on societies. Migrants in a regular situation usually have more opportunities for upward mobility in the labour market and better access to information on human and labour rights than migrants without such regular status. More avenues for regular migration need to be opened if migrants are to become active members of the communities in which they live and if they are to realize their full potential.

82. The number of international migrants — persons living in a country other than where they were born — reached 244 million in 2015 worldwide, an increase of 71 million, or 41 per cent, compared with 2000. Nearly two thirds of all international migrants live in Europe (76 million) or Asia (75 million). North America hosts the third largest number of international migrants (54 million), followed by Africa (21 million), Latin America and the Caribbean (9 million) and Oceania (8 million).[12]

83. By sending remittances to their families and communities in home countries, migrants contribute significantly to reducing poverty, improving housing conditions and improving the health and education of family members in home countries. In 2016, remittances to developing countries reached an estimated $429 billion.[13] There is significant scope for leveraging migrant remittances and diaspora investments, which are private financial flows, for sustainable development. For this to happen, countries need to create the conditions for cheaper, faster and safer

[12] Department of Economic and Social Affairs, Population Division, "Trends in international migration, 2015", *Population Facts*, No. 2015/4 (December 2015).

[13] World Bank, *Migration and Development Brief*, No. 27, "Migration and remittances: recent developments and outlook" (April 2017).

transfer of remittances in both source and recipient countries, including by promoting competitive and transparent market conditions. To that end, in the Addis Ababa Action Agenda, countries pledged to work towards reducing the average transaction cost of migrant remittances by 2030 to less than 3 per cent of the amount transferred.

84. In the New York Declaration for Refugees and Migrants, adopted in September 2016 (resolution 71/1), the General Assembly decided to develop a global compact for safe, orderly and regular migration. It also decided to convene, in 2018, an intergovernmental conference on international migration, with a view to adopting the global compact. The compact represents a significant opportunity to improve the governance on migration, address the challenges associated with current migration and strengthen the contribution of migrants and migration to sustainable development. The compact will lay out principles, commitments and understandings among countries regarding all the dimensions of international migration.

85. To create a policy framework for migrants to be able to benefit from the opportunities of a globalized world, policies need to recognize the positive contribution that migrants can have on economies and societies and foster inclusivity to ensure that migrants can reach their potential within their host societies.

Regional cooperation

86. Regional cooperation is essential for the design of regional and national policy frameworks of support so that countries can benefit from globalization. The regional commissions of the Economic and Social Council have played a strong role in strengthening normative and institutional frameworks, in collaboration with other regional organizations in their respective regions.

87. Strengthening exchanges of lessons learned among the regional commissions could contribute to enhancing the visibility of regional development challenges to tackle the imbalances between regions. Regional approaches can be highly effective in providing context-specific support to help countries benefit from globalization.

88. The regional commissions also have a significant role to play in promoting peer learning and cooperation, including South-South and triangular cooperation and effective linkages among global, regional, subregional and national processes to advance sustainable development. The regional commissions convene regional forums for sustainable development that support the implementation of the 2030 Agenda, including its follow-up and review process, and provide inputs to the high-level political forum on sustainable development. Sessions of the regional commissions also provide inputs to the high-level political forum and support the implementation of, peer learning on, and the review of, the 2030 Agenda.

Financing for development and development cooperation

89. Developing countries face significant gaps in mobilizing the means of implementation for the 2030 Agenda. The United Nations has an important role to provide normative guidance to countries with respect to financing for development, including support to the mobilization of development cooperation.

90. The Addis Ababa Action Agenda and its dedicated follow-up mechanism, the Economic and Social Council forum on financing for development follow-up, address major areas relating to globalization. The forum on financing for development follow-up has played an important role in fostering an inclusive, multi-stakeholder, high-level policy dialogue to share experiences regarding concrete policy actions that address issues relating to globalization.

91. The Development Cooperation Forum of the Economic and Social Council has been an important platform to conceptualize the importance of development cooperation and strategic partnerships in support of development. In an increasingly complex world, support to developing countries is crucial to ensure that all countries can benefit from globalization and that no one is left behind.

92. Official development assistance remains a critical source of public finance, particularly in the least developed countries, which have limited capacity to raise public resources domestically, and can also be an important leveraging tool in areas such as domestic resource mobilization, strengthening statistical capacities and mobilizing public-private partnerships in developing countries. There is also a growing and complementary role for South-South and triangular cooperation. Policy frameworks must engage strategically with the private sector, including in the development and transfer of science, technology and innovation, to ensure that all countries can benefit from globalization. Longer-term and programme-based approaches, including budget support, pooled funding and others, have the potential to provide better support to developing countries.

93. Development cooperation has a critical role to play in supporting developing countries to harness technological trends for sustainable development, including through the Technology Bank for the Least Developed Countries. Technological changes, in particular the mechanization of labour and automatization, risk leaving countries and people behind.

Climate change

94. Climate change has been identified as a major global threat to prosperity. A transition to a low-carbon economy by cutting emissions is the only solution. This means that the use of cutting-edge technologies needs to be increased, including not only wind and solar energy but also innovations in transportation and lighting.

95. The 2030 Agenda addresses these challenges through Sustainable Development Goal 12, in which Member States agreed to achieve sustainable management and efficient use of natural resources by 2030.The Paris Agreement on climate change provides an additional landmark in accelerating the shift towards a sustainable future.

96. To transform economies, policy and technology resourced with adequate investments are needed. This will take place mainly at the national level. However, since climate change is a global threat, strengthening multilateralism and driving global investment towards a low-carbon economy and decent work is essential.

97. Developing countries require assistance in the areas of adaptation and mitigation; access to climate finance; technology transfer; and sustainable consumption and production patterns. This will enable them to leapfrog carbon-intensive methods of growth for more sustainable development pathways.

IV. Key messages and policy recommendations

98. The greatest challenges to the well-being of people and the planet are global in nature and thus require global solutions, which need to be embedded in a framework of effective and relevant global institutions.

99. Globalization can enable inclusive growth and poverty reduction and contribute to the achievement of sustainable development. However, important challenges remain in relation to the three megatrends of shifts in production and labour markets, rapid advances in technology and climate change.

100. Sustainable development and peace and security are inextricably linked. To foster peace, globalization needs to be equitable and sustainable, ensuring that no one is left behind. At the same time, peaceful societies represent a precondition for economic growth and human well-being.

101. There is a need for inclusive, transparent and effective multilateral approaches to manage globalization and its challenges. Global institutional and normative frameworks are necessary to ensure that globalization is of benefit to all countries and leave no one behind.

102. The United Nations and other international institutions have a strong role to play in setting the norms and "rules of the game" to ensure that globalization works for all. The 2030 Agenda, the Addis Ababa Action Agenda and the Paris Agreement on climate change represent a normative road map to address many of the challenges associated with globalization.

103. As the challenges and context for globalization are unique to each country, differentiated approaches based on national contexts are required. Beyond global and regional policy frameworks, country-level policies that are based on strong national institutions and governance systems play an integral role. The United Nations can support Member States in devising country-specific policy approaches to globalization.